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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

AMBER KRISTI MARSH and
STACIE EVANS, individually and on
behalf of a class of similarly situated
persons,

Plaintiffs,

vs.

ZAAZOOM SOLUTIONS, LLC, *et al.*,

Defendants.

CLASS ACTION

Case No. 3:11-cv-05226-RS

**PLAINTIFFS' OPPOSITION TO
DEFENDANTS ZAAZOOM SOLUTIONS,
LLC, ZAZA PAY LLC, AND
AUTOMATED ELECTRONIC
CHECKING, INC.'S MOTION TO
DISMISS PURSUANT TO FED. R. CIV.
P. 12(B)(1) & 12(B)(6)**

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JUDGE: The Hon. Richard Seeborg

TABLE OF CONTENTS

1		
2	INTRODUCTION.....	1
3	BACKGROUND	2
4	ROSCA	3
5	PROCEDURAL BACKGROUND.....	4
6	ARGUMENT.....	4
7	A. Moving Defendants fail to explain how ROSCA supposedly preempts Plaintiffs'	
8	state law claims.....	5
9	1. Contrary to Moving Defendants' argument, ROSCA does not contain an	
10	express preemption clause	6
11	2. Congress has not shown any intent to occupy the entire field of con-	
12	sumer protection or online commerce such that all state laws in this area	
13	are impliedly preempted	8
14	3. ROSCA does not conflict with Plaintiffs' state law claims or California	
15	law, and thus conflict preemption does not apply	9
16	4. Moving Defendants' preemption authority is inapposite.....	11
17	B. Plaintiffs have standing to bring their claims.....	13
18	CONCLUSION	14
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		

TABLE OF AUTHORITIES

1		
2	<i>Aguayo v. U.S. Bank</i> , 653 F.3d 912 (9th Cir. 2011)	5
3	<i>Bank of Am. v. City & County of San Francisco</i> , 309 F.3d 551 (9th Cir. 2002)	5
4	<i>Chamber of Commerce of U.S. v. Whiting</i> , 131 S. Ct. 1968 (2011)	10
5	<i>Chamberlan v. Ford Motor Co.</i> , 314 F. Supp. 2d 953 (N.D. Cal. 2004).....	9, 10
6	<i>Chicanos Por La Causa, Inc. v. Napolitano</i> , 558 F.3d 856 (9th Cir. 2009).....	10
7	<i>Cipollone v. Liggett Group, Inc.</i> , 505 U.S. 504 (1992).....	11
8	<i>Consumer Justice Ctr. v. Olympian Labs, Inc.</i> , 99 Cal. App. 4th 1056 (2002)	2, 6
9	<i>Dorsett v. Sandoz, Inc.</i> , 699 F. Supp. 2d 1142 (C.D. Cal. 2010).....	6
10	<i>English v. General Electric Co.</i> , 496 U.S. 72, 79 (1990)	8, 9
11	<i>Gaeta v. Perrigo Pharm. Co.</i> , 562 F. Supp. 2d 1091 (N.D. Cal. 2008).....	10
12	<i>Geier v. Am. Honda Motor Co., Inc.</i> , 529 U.S. 861 (2000).....	9, 10
13	<i>Hines v. Davidowitz</i> , 312 U.S. 52 (1941).....	10
14	<i>Holeman v. Neils</i> , 803 F. Supp. 237 (D. Ariz. 1992).....	14
15	<i>In re Tobacco Cases II</i> , 41 Cal. 4th 1257 (2007).....	11
16	<i>Integral Dev. Corp. v. Weissenbach</i> , 99 Cal. App. 4th 576 (2002)	13
17	<i>Medtronic, Inc. v. Lohr</i> , 518 U.S. 470 (1996)	5
18	<i>Miller v. Bank of American, N.A. (U.S.A.)</i> , 170 Cal. App. 4th 980 (2009)	12
19	<i>Oracle Corp. v. SAP AG</i> , 734 F. Supp. 2d 956 (N.D. Cal. 2010)	13
20	<i>Pac. Merch. Shipping Ass'n v. Goldstene</i> , 639 F.3d 1154 (9th Cir. 2011).....	8
21	<i>Pom Wonderful LLC v. Ocean Spray Cranberries, Inc.</i> , 642 F. Supp. 2d 1112 (C.D. Cal.	
22	2009)	8, 12
23	<i>Smith v. Chase Mortg. Credit Group</i> , 653 F. Supp. 2d 1035 (E.D. Cal. 2009)	7
24	<i>Smith v. Wells Fargo Bank, N.A.</i> , 135 Cal. App. 4th 1463 (2005)	7
25	<i>Tanen v. Southwest Airlines Co.</i> , 187 Cal. App. 4th 1156 (2010)	11
26	<i>VP Racing Fuels, Inc. v. Gen. Petroleum Corp.</i> , 673 F. Supp. 2d 1073 (E.D. Cal. 2009) 7	
27		
28		

1	<i>Wyeth v. Levine</i> , 555 U.S. 555 (2009)	5
2	<i>Yu v. Signet Bank/Virginia</i> , 69 Cal. App. 4th 1377 (1999).....	13

Federal Statutes and Other Authorities

5	15 U.S.C. §8401 <i>et seq.</i>	<i>passim</i>
6	16 C.F.R. §310.2(u)	3
7	Airline Deregulation Act.....	11
8	Arizona's Consumer Fraud Act, Ariz. Rev. Stat. §44-1521 <i>et seq.</i>	13
9	California Business and Professions Code section 17200	<i>passim</i>
10	Fed. R. Civ. P. 12(b)	1
11	Federal Cigarette Labeling and Advertising Act	11
12	Federal Trade Commission Act.....	6
13	Petroleum Marketing Practices Act	7
14	Real Estate Settlement Procedures Act	7
15	S. REP. NO. 111-240 (2010)	9

1 Plaintiffs Amber Kristi Marsh and Stacie Evans, by and through their counsel of
 2 record, respectfully submit the following memorandum of points and authorities in
 3 opposition to Defendants Zaazoom Solutions, LLC, Zaza Pay LLC, and Automated
 4 Electronic Checking, Inc. (collectively, "Moving Defendants")'s motion to dismiss under
 5 Fed. R. Civ. P. 12(b)(1) and 12(b)(6).

6 **MEMORANDUM OF POINTS AND AUTHORITIES**

7 **INTRODUCTION**

8 Defendants operate a scam where they lure people into applying for payday loans
 9 on Internet websites. Defendants take the information they gather from the payday loan
 10 applications—including the applicants' banking information—and use this information to
 11 forge checks on behalf of the applicants. These checks are fakes; they are created
 12 without the applicants' knowledge or consent. These checks supposedly pay for the
 13 Defendants' online coupon services, though no applicant ever agreed to buy such
 14 services. The money is transferred from the applicants' checking accounts to Defendants
 15 before the applicants realize that the forged checks have been drawn or that withdrawals
 16 have been made. Defendants have performed this scam thousands of times, and robbed
 17 people, already in a frail financial condition, of their remaining money.

18 Moving Defendants make two arguments in their motion to dismiss. First, Moving
 19 Defendants argue that Plaintiffs' state law claims are preempted by the Restore Online
 20 Shoppers' Confidence Act, 15 U.S.C. §§8401 *et seq.* ("ROSCA"). Second, Moving
 21 Defendants argue that Plaintiffs do not have standing to assert claims under California law
 22 because, according to Moving Defendants, their misconduct occurred outside of
 23 California.

24 Both of Moving Defendants' arguments fail. First, contrary to Moving Defendants'
 25 argument, the lack of a private cause of action in ROSCA does not result in the
 26 preemption of California laws that do provide a private right of action. To the contrary,
 27 "the absence of a private cause of action means that Congress has obviously left plenty
 28 of room for the states to supplement the [statute] by providing for private causes of

1 action.” *Consumer Justice Ctr. v. Olympian Labs, Inc.*, 99 Cal. App. 4th 1056, 1059-60
 2 (2002). Second, California law is clear that Plaintiffs are entitled to rely on California law
 3 to redress Defendants’ misconduct, even if that misconduct occurred outside of California,
 4 where it resulted in injury to Plaintiffs in California.

5 For these reasons, and as explained more fully below, the Court should deny
 6 Moving Defendants’ motion to dismiss.

7 BACKGROUND

8 Defendants Zaazoom Solutions, LLC, Zaza Pay LLC, MultiECom, LLC, and Online
 9 Resource Center, LLC (collectively, the “Zaazoom Defendants”) provide online coupon
 10 services though various Internet websites, including but not limited to
 11 <libertydiscountclub.com>, <777discountclub.com>, <247discountclub.com>,
 12 <grocerysavingsdirect.com>, <couponsinyourmailbox.com>, <websavingsclub.com>,
 13 <savingclub247.com>, <discountclub247.com>, and <uclipusave.com> (collectively, the
 14 “Defendants’ Websites”). (Second Amended Complaint (“SAC”) ¶55.) Theoretically, a
 15 consumer can sign up to become a member of one of Defendants’ Websites voluntarily,
 16 by entering his or her contact and banking information. (SAC ¶57.)

17 Despite the foregoing process, the members of the Zaazoom Defendants’
 18 Websites did not become members voluntarily. (SAC ¶58.) Rather, the Zaazoom
 19 Defendants registered people without their knowledge or consent. (SAC ¶58.)
 20 Specifically, the Zaazoom Defendants obtained information regarding individuals
 21 (“Applicants”) from payday loan websites. (SAC ¶59.) Without the Applicants’
 22 knowledge or consent, the operators of the Payday Loan Websites transferred the
 23 Applicants’ personal information—including the Applicants’ checking account
 24 information—to the Zaazoom Defendants. (SAC ¶62.) The Zaazoom Defendants then
 25 used the Applicants’ personal information to register the Applicants for memberships with
 26 Defendants’ Websites. (SAC ¶63.) Next, the Zaazoom Defendants drafted remotely
 27 created checks from the Applicants’ checking accounts payable to the Zaazoom
 28

1 Defendants. (SAC ¶¶65.) The Applicants were completely unaware that the Zaazoom
2 Defendants were drafting or depositing these remotely created checks. (SAC ¶¶65.)

3 The Zaazoom Defendants engaged payment processors to assist with the
4 creation, batching, and depositing of the remotely created checks. (SAC ¶¶72.)
5 Defendants Jack Henry & Associates, Inc. *dba* ProfitStars, Data Processing Systems,
6 LLC, and Automated Electronic Checking, Inc. (collectively, the “Processors”) served as
7 payment processors for the Zaazoom Defendants. (SAC ¶¶73.) The Processors
8 deposited these remotely created checks in the Zaazoom Defendants’ depository bank
9 accounts with Defendants First Bank of Delaware, First National Bank of Central Texas,
10 and SunFirst Bank (collectively, the “Depository Banks”). (SAC ¶¶87-89.)

11 Defendants’ scam has injured consumers throughout the country, and in California
12 in particular. Each of the Plaintiffs resides in California. (SAC ¶¶39-40.) Each Plaintiff
13 had her banking information wrongfully taken by Defendants and used to forge remotely
14 created checks made payable to the Zaazoom Defendants. (SAC ¶¶98-126.) Plaintiffs
15 are far from alone. Defendants have used this scam to take advantage of thousands-
16 upon-thousands of people, including thousands-upon-thousands of California residents.
17 (SAC ¶¶15.) In total, Defendants have drawn more than 1,121,141 remotely created
18 checks in perpetrating their scam, including 101,494 checks on Californians.

19 ROSCA

20 On December 29, 2010, President Obama signed into law the Restore Online
21 Shoppers’ Confidence Act, 15 U.S.C. §§8401 *et seq.* Section 2 of ROSCA, 15 U.S.C.
22 §8401, contains Congressional findings and a declaration of policy. This section states
23 that consumer confidence is essential to the growth of e-commerce, but that numerous
24 companies have been taking advantage of consumers in the online context by using
25 aggressive sales tactics, such as passing consumers’ billing information to third parties
26 and using negative option features.¹

27 ¹ ROSCA, 15 U.S.C. §8403, incorporates the definition of “negative option” from the
28 Federal Trade Commission’s Telemarketing Sales Rule, 16 C.F.R. §310.2(u), which
defines a negative option as, “in an offer or agreement to sell or provide any goods or

1 Section 4 of ROSCA, 15 U.S.C. §8403, sets forth the requirements for online
 2 merchants to use negative options. Specifically, before a merchant can use a negative
 3 option, the merchant must: a) provide text that clearly and conspicuously discloses all
 4 material terms of the transaction before obtaining the consumer's billing information, b)
 5 obtain the consumer's express informed consent before charging the consumer, and c)
 6 provide simple mechanisms for a consumer to stop recurring charges. See 15 U.S.C.
 7 §8403.

8 Sections 5 and 6 of ROSCA, 15 U.S.C. §§8403-8404, describe the authority of the
 9 FTC and the states' attorneys general to enforce ROSCA through civil actions. Despite
 10 Defendants' claim, ROSCA does not contain an express preemption clause.

11 **PROCEDURAL BACKGROUND**

12 On May 9, 2011 Plaintiffs filed their initial complaint in the California Superior
 13 Court for San Francisco County. On September 23, Plaintiffs filed their Second
 14 Amended Complaint, which added Moving Defendants as parties. On, October 26,
 15 Defendant Jack Henry & Associates, Inc. removed this action to this Court. On
 16 November 8, Moving Defendants filed their motion to dismiss pursuant to Federal Rules
 17 of Civil Procedure 12(b)(1) and 12(b)(6) [D.E. No. 12.]

18 **ARGUMENT**

19 Moving Defendants offer two arguments in their motion. First, Moving Defendants
 20 argue that ROSCA preempts Plaintiffs' state law claims because ROSCA does not have
 21 a private right of action. Moving Defendants have cited no authority for their claim that a
 22 federal law's lack of a private right of action results in the preemption of otherwise
 23 consistent state laws. To the contrary, courts in this Circuit have consistently held the
 24 exact opposite: that the lack of a private right of action in a federal law does not result in
 25 the preemption of otherwise consistent state laws. Thus, federal and state courts in
 26 California routinely allow the use of federal laws without private causes of action as

27 services, a provision under which the customer's silence or failure to take an affirmative
 28 action to reject goods or services or to cancel the agreement is interpreted by the seller
 as acceptance of the offer."

1 predicates for violations of California Business & Professions Code section 17200—a law
2 that borrows violations of other laws and treats them as independently actionable
3 unlawful practices. Thus, the Court should deny Moving Defendants’ motion to dismiss
4 to the extent it is based on preemption.

5 Moving Defendants also argue that Plaintiffs lack standing to assert claims under
6 California law because, according to Moving Defendants, the claims in this case arose
7 elsewhere. This argument fails where the SAC specifically alleges that Plaintiffs are
8 California residents who suffered harm in California. As California case law makes clear,
9 California law applies to wrongful conduct that results in injury in California, regardless of
10 whether the conduct occurred out-of-state.

11 For these reasons, and as explained more fully below, the Court should deny
12 Moving Defendants’ motion to dismiss.

13 **A. Moving Defendants fail to explain how ROSCA supposedly preempts**
14 **Plaintiffs’ state law claims.**

15 Moving Defendants argue that ROSCA preempts Plaintiffs’ state law claims.
16 There are two cornerstones of preemption analysis. *Wyeth v. Levine*, 555 U.S. 555, 565
17 (2009). First, the purpose of Congress is the ultimate touchstone in every preemption
18 case. *Id.* (quoting *Medtronic, Inc. v. Lohr*, 518 U.S. 470, 485 (1996)). Second, in all
19 preemption cases, and particularly in those in which Congress has legislated in a field
20 which the states have traditionally occupied, courts must start their analysis with the
21 assumption that the historic police powers of the states are not to be superseded by the
22 federal law unless that was the clear and manifest purpose of Congress. *Id.* (quoting
23 *Medtronic*, 518 U.S. at 485).

24 A federal law may preempt a state law in three ways. First, Congress may
25 preempt a state law by expressly explaining the preemptive effect of the federal statute in
26 the statute itself. See *Aguayo v. U.S. Bank*, 653 F.3d 912, 918 (9th Cir. 2011) (quoting
27 *Bank of Am. v. City & County of San Francisco*, 309 F.3d 551, 558 (9th Cir. 2002)).
28 Second, preemption may be inferred when federal regulation in a particular field is so

pervasive as to make reasonable the inference that Congress left no room for the states to supplement it. See *id.* Third, preemption may be implied when a state law actually conflicts with the federal law. See *id.* The party contending that federal law preempts a state law bears the burden of establishing preemption. See *Dorsett v. Sandoz, Inc.*, 699 F. Supp. 2d 1142, 1155 (C.D. Cal. 2010). Here, Defendants have made no such showing.

1. Contrary to Moving Defendants' argument, ROSCA does not contain an express preemption clause.

Moving Defendants appear to argue that ROSCA expressly preempts Plaintiffs' state law claims because ROSCA does not have a private right of action. This argument fails. Courts have routinely found that federal laws, which do not include private rights of action, do not preempt otherwise consistent state laws that do provide a private right of action. In fact, California state and federal courts routinely use federal statutes without private rights of action as predicates for section 17200 claims. As examples:

- Consumer Justice Ctr. v. Olympian Labs, Inc., 99 Cal. App. 4th 1056 (2002): In this case, the court found that "it is also clear (indeed, as stressed by defendants here) that there is no private right of action under the Federal Trade Commission Act." *Id.* at 1060. The court went on to state "our Supreme Court specifically noted that, while the Federal Trade Commission Act and California's unfair competition law both prohibit a wide range of unfair practices, the federal law has no private enforcement provision comparable to California's. The obvious conclusion to be drawn from the absence of a private cause of action is that Congress did not intend the Federal Trade Commission to occupy the field of redressing false advertising claims." *Id.* (internal quotations omitted). Thus, the court specifically rejected the argument that the Federal Trade Commission Act preempted the plaintiff's 17200 claim, stating that "the absence of a private cause of action means that Congress has obviously left plenty of room for the states to

1 ‘supplement’ the Federal Trade Act by providing for private causes of action.” *Id.*
 2 at 1061.

- 3 • *VP Racing Fuels, Inc. v. Gen. Petroleum Corp.*, 673 F. Supp. 2d 1073 (E.D. Cal.
 4 2009): In this case, the court found that the plaintiff’s section 17200 claim was not
 5 preempted by the Petroleum Marketing Practices Act. See *id.* at 1081-82. The
 6 court went on to state that “California has provided that any unlawful business
 7 practices, including violations of laws for which there is no direct private right of
 8 action, may be redressed by private action under the UCL; it is not necessary that
 9 the predicate law provide for private civil enforcement.” *Id.* at 1081.
- 10 • *Smith v. Chase Mortg. Credit Group*, 653 F. Supp. 2d 1035 (E.D. Cal. 2009): In
 11 this case, the court found that the Real Estate Settlement Procedures Act
 12 (“RESPA”) did not preempt the plaintiff’s section 17200 claim. See *id.* at 1044-45.
 13 The Court also stated that the fact that RESPA did not provide a private right of
 14 action was not relevant to whether the statute could serve as a basis for the
 15 plaintiff’s section 17200 claim. See *id.*
- 16 • *Smith v. Wells Fargo Bank, N.A.*, 135 Cal. App. 4th 1463 (2005): In this case, the
 17 court found that that regulations issued by the Office of the Comptroller of the
 18 Currency (“OCC”) did not preempt the plaintiff’s section 17200 claim. See *id.* at
 19 1471-88. The court also stated that plaintiffs may bring section 17200 actions
 20 even when the conduct violates a statute for which there is no private right of
 21 action. See *id.* at 1479-80. “By borrowing violations of other laws, the UCL
 22 deems those violations ‘unfair competition’ independently actionable under the
 23 UCL. Virtually any law—federal, state or local—can serve as a predicate for a
 24 section 17200 action. Therefore, a violation of a federal law or regulation may
 25 serve as a predicate for a [UCL] action.” *Id.* at 1480. (internal quotations and
 26 citations omitted).

27 As the above-described case law makes clear, a federal law’s limitation on private
 28 rights of action is irrelevant to the preemption inquiry. Where Congress wants to preempt

a state law expressly, it uses clear language to that effect. See, e.g., *Pom Wonderful LLC v. Ocean Spray Cranberries, Inc.*, 642 F. Supp. 2d 1112, 1121 (C.D. Cal. 2009) (analyzing express preemption clause from Federal Food, Drug, and Cosmetic Act). Because ROSCA does not contain an express preemption clause, Moving Defendants are simply incorrect that ROSCA expressly preempts Plaintiffs' state law claims.

2. Congress has not shown any intent to occupy the entire field of consumer protection or online commerce such that all state laws in this area are impliedly preempted.

Moving Defendants do not contend that ROSCA preempts Plaintiffs' state law claims under a theory of field preemption. Nonetheless, Plaintiffs dispose of this argument to the extent the Court wishes to consider it.

Even absent an express preemption clause, Congress may still intend to preempt state laws where it has adopted a scheme of federal regulation so pervasive as to occupy the entire field of regulation. See *English v. General Electric Co.*, 496 U.S. 72, 79 (1990). Field preemption exists only where the intent of Congress is clearly manifested, or implicit from a pervasive scheme of federal regulation that leaves no room for state supplementation, or implicit from the fact that the federal law touches a field, such as foreign affairs, in which the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state laws on the same subject. *Pac. Merch. Shipping Ass'n v. Goldstene*, 639 F.3d 1154, 1165 (9th Cir. 2011).

No field preemption exists with respect to ROSCA because Congress has not shown any intent to occupy the field of consumer protection. Consumer protection is a field traditionally regulated concurrently by both the states and the federal government. See *Pom Wonderful LLC*, 642 F. Supp. 2d at 1122 (stating that "consumer protection laws fall within the states' historic police powers to protect the health and welfare of their citizens"). Based on this authority, California has adopted a number of consumer protection statutes and has developed a robust set of jurisprudence interpreting those statutes. In fact, California has adopted Business & Professions Code section 17600 *et seq.* which closely tracks the requirements of ROSCA.

ROSCA is a short consumer protection statute, which addresses the specific issues of negative options and third party sellers in online commerce. Nothing in ROSCA evidences an intent to displace the states' traditional roles in protecting consumers. See 15 U.S.C. §§8401 *et seq.* Nor does anything in ROSCA's legislative history suggest that the statute was intended to preempt state consumer protection laws. To the contrary, both the legislative history and ROSCA itself contain Congressional findings that the statute is designed to protect consumers in online transactions. See S. REP. NO. 111-240 at *passim* (2010) (stating ROSCA "would protect online consumers from unfair and deceptive sales tactics on the Internet"). It would be patently absurd for Congress to enact a consumer protection statute with the purpose of depriving consumers the right to protect themselves under the law.

Because there is literally no evidence of any Congressional intent to occupy the entire field of consumer protection in online commerce, ROSCA does not impliedly preempt Plaintiffs' claims under a field preemption theory.

3. ROSCA does not conflict with Plaintiffs' state law claims or California law, and thus conflict preemption does not apply.

Moving Defendants do not contend that ROSCA preempts Plaintiffs' state law claims under a theory of conflict preemption. Nonetheless, Plaintiffs dispose of this argument to the extent the Court wishes to consider it.

Where Congress has not entirely displaced state regulation in a specific area, state law will still be preempted to the extent it actually conflicts with federal law. See *Chamberlan v. Ford Motor Co.*, 314 F. Supp. 2d 953, 957 (N.D. Cal. 2004) (quoting *Geier v. Am. Honda Motor Co., Inc.*, 529 U.S. 861, 884 (2000)). Thus, conflict preemption turns on the presence of an actual conflict. *Id.* There are two bases for conflict preemption. First, state law will be conflict-preempted where it is impossible for a private party to comply with both state and federal requirements. See *English v. Gen. Elec. Co.*, 496 U.S. 72, 79 (1990). Second, state law will be conflict-preempted where that law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of

1 Congress. *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941). In order for conflict-preemption
 2 to exist, there must be clear evidence of the conflict; a speculative or hypothetical conflict
 3 is not sufficient. See *Chicanos Por La Causa, Inc. v. Napolitano*, 558 F.3d 856, 863 (9th
 4 Cir. 2009) *aff'd sub nom. Chamber of Commerce of U.S. v. Whiting*, 131 S. Ct. 1968
 5 (2011).

6 Because of the presumption against implied preemption, the defendant bears the
 7 burden of showing that it was Congress's clear and manifest intent to preempt state law.
 8 *Chamberlan v. Ford Motor Co.*, 314 F. Supp. 2d 953, 962 (N.D. Cal. 2004); see *Chamber*
 9 *of Commerce of U.S. v. Whiting*, 131 S. Ct. 1968, 1985 (2011) (stating that a high
 10 threshold must be met if a state law is to be preempted for conflicting with the purposes
 11 of a federal act). The Supreme Court and courts in the Ninth Circuit have identified the
 12 narrow set of circumstances that warrant conflict preemption. As examples:

- 13 • *Geier v. Am. Honda Motor Co., Inc.*, 529 U.S. 861, 874-83 (2000): The Supreme
 14 Court held that a lawsuit that sought to force a manufacturer to install airbags in
 15 all of its automobiles conflicted with a Department of Transportation's regulation
 16 that permitted a range of choices among different passive restraint devices and
 17 thus provided for a nuanced, gradual introduction of airbags over time.
- 18 • *Gaeta v. Perrigo Pharm. Co.*, 562 F. Supp. 2d 1091 (N.D. Cal. 2008): In this
 19 case, the plaintiff suffered liver injuries allegedly caused by the defendant's
 20 nonprescription drug. See *id.* at 1093. However, the FDA had already engaged in
 21 a comprehensive review regarding the safety of that drug and specifically
 22 determined that a warning for risk of liver injury was not scientifically supported by
 23 the available data. See *id.* at 1098. In that instance, the plaintiff's lawsuit, brought
 24 in part on a failure to warn theory, conflicted with the express judgment of the
 25 FDA. See *id.*

26 Moving Defendants have not—and cannot—point to any conflicts between
 27 ROSCA and the California laws that serve as the bases for Plaintiffs' claims. Neither
 28 Plaintiffs' claims nor the California laws on which they are based impose obligations

beyond those in ROSCA. Moving Defendants cannot argue that it is impossible for them to comply with both ROSCA and the California laws at issue. Nor can Moving Defendants argue that the California laws at issue somehow serve as an obstacle to the accomplishment of ROSCA's objectives. To the contrary, Plaintiffs seek to use ROSCA as a predicate for Moving Defendants' claims, including Moving Defendants' violation of California Business and Professions Code section 17200. To wit, by violating ROSCA, Defendants engaged in an unlawful business practice in violation of section 17200. Thus, the laws are entirely consistent.

Because there is no conflict between ROSCA and the California laws at issue in this case, there is no conflict preemption.

4. Moving Defendants' preemption authority is inapposite.

In support of their preemption argument, Moving Defendants cite to three cases, none of which is remotely similar to the issues in this action, and all of which rely on an express preemption clause.

- *In re Tobacco Cases II*, 41 Cal. 4th 1257 (2007): In this case, the court found that the plaintiff's section 17200 claim was preempted by the Federal Cigarette Labeling and Advertising Act ("FCLAA"). The U.S. Supreme Court had previously found that the FCLAA's ban on state regulation of advertising expressly preempted state common law actions accusing tobacco companies of failing to warn of the dangers of smoking. See *Cipollone v. Liggett Group, Inc.* 505 U.S. 504, 517 (1992). Based on the FCLAA's express preemption clause, the California Supreme Court found that the plaintiffs' unfair competition claim was preempted because it sought to impose on defendant tobacco companies a duty not to advertise in a way that would encourage minors to smoke, where such advertisements were based on concerns about the danger of smoking.
- *Tanen v. Southwest Airlines Co.*, 187 Cal. App. 4th 1156 (2010): In this case, a customer who purchased a travel gift certificate from the defendant airline sued the airline for violation of the California statute prohibiting the sale of gift

certificates with expiration dates. The court found that the plaintiff's claim was expressly preempted by the Airline Deregulation Act, which stated "no State . . . shall enact or enforce any law, rule, regulation, standard, or other provision having the force and effect of law relating to rates, routes, or services of any air carrier . . ." The court found that the plaintiff's claims regarding travel gift certificates related to "services of an air carrier," and thus were expressly preempted.

- Miller v. Bank of American, N.A. (U.S.A.), 170 Cal. App. 4th 980 (2009): In this case, credit card customers of the defendant bank brought a class action alleging that the bank's payment due dates violated state holiday statutes. The court found that the National Banking Act and regulations promulgated under it by the Office of the Comptroller of the Currency expressly preempted certain state laws, where the federal regulations stated, "[e]xcept where made applicable by Federal law, state laws that obstruct, impair, or condition a national bank's ability to fully exercise its Federally authorized non-real estate lending powers are not applicable to national banks."

As the above descriptions make clear, Moving Defendants' cases involved an express preemption, which ROSCA does not have. Moreover, each of Moving Defendants' cases involved a specific industry that is heavily regulated by the federal government (*i.e.* cigarette labeling, airlines, and banking). By comparison, ROSCA is a consumer protections statute, a field traditionally regulated concurrently by both the states and the federal government. See *Pom Wonderful LLC*, 642 F. Supp. 2d at 1122. Finally, none of Moving Defendants' cases based preemption on the lack of a private right of action in the federal law. Thus, Moving Defendants' authority is completely inapposite and has no bearing on this case.

In summary, because ROSCA does not contain an express preemption clause and does not otherwise evidence an intent to occupy the field of consumer protection, Moving Defendants have failed to meet their heavy burden of showing that ROSCA preempts Plaintiffs' claims. Thus, the Court should deny Moving Defendants' motion to

dismiss.

B. Plaintiffs have standing to bring their claims.

Moving Defendants appear to argue that Plaintiffs do not have standing to bring claims under California and Arizona law because Plaintiffs have not alleged that the misconduct at issue occurred in these states or affected Plaintiffs in these states. This argument fails.

The complaint alleges that the Zaazoom Defendants are based in Arizona and perpetrated their misconduct from Arizona. The complaint alleges that each Plaintiff is a California resident and suffered harm in California as a result of Defendants' misconduct.²

Contrary to Moving Defendants' apparent argument, the fact that Defendants are located outside of California does not prevent Plaintiffs from relying on California laws where Plaintiffs were harmed in California. "In the absence of any federal preemption, a defendant who is subject to jurisdiction in California and who engages in out-of-state conduct that injures a California resident may be held liable for such conduct in a California court." See *Yu v. Signet Bank/Virginia*, 69 Cal. App. 4th 1377, 1391 (1999); see also *Oracle Corp. v. SAP AG*, 734 F. Supp. 2d 956, 968 (N.D. Cal. 2010) (stating that section 17200 "applies to wrongful conduct that occurs out-of-state but results in injury in California, regardless of the injured party's citizenship"). This line of reasoning applies to common law torts in addition to UCL claims. See *Integral Dev. Corp. v. Weissenbach*, 99 Cal. App. 4th 576, 591 (2002) ("California has a manifest interest in providing a local forum for its residents to redress injuries inflicted by out-of-state defendants.") Because Plaintiffs were harmed in California, where they reside, they are entitled to bring claims based on California law.

Similarly Plaintiffs are entitled to bring a claim under Arizona's Consumer Fraud

² To the extent there is any ambiguity about where Plaintiffs were when their banking information was misappropriated by Defendants and when Defendants forged checks from Plaintiffs' bank accounts, Plaintiffs are prepared to amend their complaint to state that they were in California.

1 Act, Ariz. Rev. Stat. §44-1521 *et seq.*, where the Zaazoom Defendants are based in
2 Arizona and perpetrated their misconduct from Arizona. *See Holeman v. Neils*, 803 F.
3 Supp. 237, 242 (D. Ariz. 1992) ("The [Arizona] Consumer Fraud Act provides an injured
4 consumer with an implied private right of action against the violator of the act.")

5 Because Plaintiffs are entitled to bring all of their state and federal claims, Moving
6 Defendants' motion to dismiss should be denied.

7 **CONCLUSION**

8 For all of the reasons set forth above, the Court should deny Moving Defendants'
9 motion to dismiss.

10
11 Respectfully submitted,

12 DATED: November 22, 2011

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